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November 17, 2008

AGENDA ITEM 8

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** Budget Change Proposals and Spring Finance Letter
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:**
- (1) The Committee accept an increase to the Contingency Reserve Fund of \$1,873,000 and 5.0 positions in the Fiscal Year (FY) 2008-09 Administrative Budget and recommend the Board of Administration approve this revised budget.
 - (2) The Committee recommend the Board approve the transmittal of this agenda item to the Joint Legislative Budget Committee and the Fiscal Committees of the Legislature, the State Controller, and the Department of Finance, in accordance with the FY 2008-09 Budget Act, and to the Legislative Analyst's Office and the State and Consumer Services Agency.

IV. ANALYSIS:

The Contingency Reserve Fund (CRF) portion of the California Public Employees' Retirement System (CalPERS) is appropriated through the annual Legislative budget process, whereas the remaining budget is approved by the Board of Administration. Budget Change Proposals (BCP) funded from the CRF are submitted to the Department of Finance for approval and inclusion in the Governor's Budget or in the May Revision, reviewed and approved by the Legislature, and ultimately approved by the Governor through the Budget Act.

The Budget Act of 2008 included a \$1,873,000 augmentation to the Contingency Reserve Fund to support five BCPs and one Spring Finance Letter (SFL). Action is necessary to reflect this increase in CalPERS FY 2008-09 Administrative Budget. Although the CRF expenditure authority already exists, this agenda item will formally add it to CalPERS 2008-09 budget. Below is a short summary of each proposal:

- BCP (1) \$417,000 and 3.0 positions to assist in health rate development and renewal.
- BCP (2) \$235,000 and 2.0 positions to address increased Public Agency contract management activities.
- BCP (3) \$646,000 and 3.0 positions to support Electronic Health Records and Health Information Technology initiatives.
- BCP (4) \$216,000 and 2.0 positions to address increased enrollment and eligibility workload.
- BCP (5) 2.0 Positions to provide education to staff on policy, procedures, regulations, and other essential services to address a growing active and retired membership. Funding will be redirected from existing CRF resources.
- SFL (1) \$359,000 and 3.0 two-year, limited-term positions to support contract management/oversight functions related to Health Maintenance Organization health plans.

ADMINISTRATIVE BUDGET

With the addition of the BCPs and SFL, the proposed revision to the FY 2008-09 Administrative Budget will total \$334,196,000 and 2,315 positions. This reflects the addition of the five BCPs and one SFL. The following chart provides a summary of the revised budget.

FY 2008-09 Revised Budget		
	Dollar Amount	Positions
Current Budget	\$332,323,000	2,300.0
BCPs:		
Rate Development and Renew	417,000	3.0
Public Agency Contracts–Account Representatives	235,000	2.0
Health Information System Services	646,000	3.0
Enrollment and Eligibility Unit	216,000	2.0
Health Educators	-	2.0
SFL:		
HMO Performance Management	359,000	3.0
Revised FY 2008-09 Budget	\$334,196,000	2,315.0

Attachment A shows the proposed revised budget by funding source.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic plan. It is brought to the Finance Committee and the full Board of Administration to obtain formal approval of the FY 2008-09 revised Administrative Budget.

VI. RESULTS/COSTS:

The CRF expenditure authority will increase by \$1,873,000 to \$29,972,000, or 6.7 percent. As a result, the CalPERS FY 2008-09 Administrative Budget will increase by \$1,873,000 and 15.0 positions, or 0.6 percent, to \$334,196,000. The recommendation contained in this agenda item will take effect upon the approval by the Board of Administration.

STEVE PIETROWSKI, Assistant Chief
Fiscal Services Division

RUSSELL G. FONG, Chief
Fiscal Services Division

JOHN HIBER
Assistant Executive Officer
Administrative Services Branch

Attachment